

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 NEA-10 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-03 PRS-01 USIA-12 /160 R

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TREAS: EGORDON (SUBS)

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R 210207 Z APR 73

FM SECSTATE WASHDC

TO AMEMBASSY KABUL

AMEMBASSY TEHRAN

INFO AMEMBASSY BONN

AMEMBASSY LONDON

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E. O. 11652: N/ A

TAGS: EFIN, EAID, AF

SUBJECT: AFGHAN DEBT

REF: (A) KABUL 2491; (B) STATE 56038

TEHRAN PLEASE PASS TO AMBASSADOR NEUMAN AND WHITE AA/ ASIA

1. WE CONCUR YOUR RESPONSE TO JALALLAR ON DEBT RESCHEDULING (PARAS 5-9, REF. A) HAVE LITTLE TO SUGGEST BY WAY OF ADDITION TO THIS SUCCINCT STATEMENT U. S. POSITION. BASIC ELEMENTS OF U. S. POSITION WHICH WE WOULD EMPHASIZE ARE: (A) DEBT RESCHEDULING HAS DEVELOPMENT SIGNIFICANCE BUT PRIMARILY IN A BALANCE OF PAYMENTS RATHER THAN BUDGETARY SENSE. IT HAS MAJOR IMPLICATIONS FOR TOTAL INTERNATIONAL
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CREDITWORTHINESS OF RECIPIENT COUNTRY. IT IS VIEWED BY CREDITORS PRIMARILY IN THIS LIGHT AND NOT AS AN INSTRUMENT FOR MEETING DOMESTIC BUDGETARY DEFICITS. (B) WE APPLAUD RGA SELF- HELP COMMITMENTS AND HOPE THEY CAN BE TRANSLATED INTO ACTION QUICKLY AND THAT THEY WILL HELP TO SOLVE THE RGA' S BUDGETARY PROBLEMS. (C) OUR ASSESSMENT OF BALANCE OF PAYMENTS BASED ON INFORMATION SUPPLIED TO DATE INDICATES RGA BOP OUTLOOK AS IT RELATES TO RGA FREE FOREIGN EXCHANGE RESERVES IS MORE OPTIMISTIC THAN IT HAS BEEN LAST FEW YEARS.

2. SHOULD RGA NOW PRESENT US WITH FORMAL REQUEST FOR DEBT RESCHEDULING, WE WOULD NOT REFUSE CONSIDER IT, BUT IF FORMAL REQUEST ALONG SAME LINES AS RECENT INFORMAL APPROACHES IT WOULD LIKELY ELICIT SAME REACTION AND, THEREFORE, DO NOT RPT NOT, FEEL THE TIME IS APPROPRIATE FOR MULTILATERAL MEETING ON AFGHAN DEBT SITUATION. THE AVAILABILITY OF THE IMF STANDBY (DOLS 4 MILLION), THE UNCERTAINTIES OF THE NEW DEVELOPMENT PROGRAM, THE UNRELIABILITY OF EXPORT PROJECTIONS PARTICULARLY IN LIGHT OF THE ADJUSTMENT IN THE EXCHANGE SURRENDER SYSTEM, ALL SUGGEST THAT NOW IS NOT APPROPRIATE TIME FOR FORMAL DEBT MEETING.

3. THE USG IS AWARE OF AND SYMPATHETIC TO THE PECULIAR RGA PROBLEM OF A LARGE GOLD COMPONENT OF RESERVES. WE DO NOT FEEL, HOWEVER, THAT RESERVE DECLINE WOULD COMPEL USE OF THE GOLD RESERVES IN THE NEAR FUTURE.

4. SINCE BOP SITUATION APPEARS IMPROVED FROM AUGUST 1971 AND BOP PROSPECTS ALSO IMPROVED, WOULD NOT RPT NOT WISH SET DATE OF DEBT DISCUSSIONS. YOU COULD, OF COURSE, EMPHASIZE THAT SHOULD THE SITUATION CHANGE OR SHOULD THE RGA FEEL WE HAVE NOT FULLY UNDERSTOOD A FACET OF THE CURRENT SITUATION, WE STAND READY TO REASSESS OUR STANCE. HOWEVER, IT SHOULD ALSO BE CLEAR THAT WILLINGNESS TO REASSESS AND CONSIDER ANY DEBT RESCHEDULING REQUEST IS NOT RPT NOT A COMMITMENT TO SUPPORT PROPOSAL OR PARTICIPATE IN RESCHEDULING EXERCISE.

5. RE COMMODITY ASSISTANCE FOR BUDGET SUPPORT PURPOSES, WE DO NOT RPT NOT BELIEVE RGA SHOULD BE OFFERED ANY ENCOURAGEMENT. WE HAVE NO CONFIDENCE WE WOULD BE ABLE TO EFFECTIVELY INFLUENCE RGA ECONOMIC POLICIES IN BASIC QUESTIONS OF REVENUE AND EXPENDITURE LEVELS AND PRIORITIES. WORLDWIDE LIMITED OFFICIAL USE

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EXPERIENCE SUGGESTS THAT A BUDGET SUPPORT RELATIONSHIP ONCE

BEGUN IS SELF- PERPETUATING AND UNDERMINES THE VERY BUDGET DISCIPLINE BEING SOUGHT THEREON, CREATING A HIGH DEGREE OF POLITICAL AND ECONOMIC DEPENDENCE. WE DO NOT BELIEVE OUR INTERESTS OR THE RGA SITUATION REQUIRE OUR ASSUMING SUCH A RESPONSIBILITY. CONSISTENT WITH THE APPROACH WE HAVE BEEN FOLLOWING FOR SEVERAL YEARS, WE WANT TO LEAVE THE BASIC ECONOMIC POLICY ISSUE TO THE IMF, IBRD AND ADB AND CONCENTRATE A. I. D. EFFORTS IN DISCRETE PROJECT AREAS WHICH RGA HAS GIVEN HIGH PRIORITY AND IN WHICH WE HAVE A CAPACITY TO BE OF HELP ALL AVAILABLE FUNDS PROGRAMMED FOR THIS PURPOSE. HEARTILY CONCUR PROJECT ORIENTATION OF YOUR RESPONSE TO MINFIN IN PARA 5 REF. A AND BELIEVE IT SHOULD BE BASIS ANY FURTHER DISCUSSIONS THIS QUESTION. PORTER

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